
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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MEMORANDUM

To: County Assessors and Auditors
Township Assessors and Trustee Assessors

From: Assessment Division

Date: July, 2003

Re: Reassessment and Rehabilitation Deductions available under IC 6-1.1-12-18 et. seq.

The Department has received questions about how rehabilitation deductions are calculated in the year of a reassessment. The term "rehabilitation" means significant repairs, replacements, or improvements to an existing structure that are intended to increase the livability, utility, safety, or value of the property. This memo will address the deductions that are filed on forms 322 and 322A. If the property is eligible for both types of deduction, the taxpayer must choose one deduction; they cannot apply for both. If the application for deduction is denied, either in part or full, the auditor must notify the applicant. Denials may be appealed by filing a 133 petition for correction of error.

IC 6-1.1-12-19 and 23 states "Any general reassessment of real property that occurs within the period of the deduction does not affect the amount of the deduction." That is, any existing rehabilitation deductions are not adjusted for the value changes resulting from reassessment. Conversely, under the current statute the deductions would remain at the same amount until expiration regardless of any reassessment or annual adjustments.

There have also been questions concerning timing issues stemming from rehabilitation changes having been omitted or "put off" until the reassessment. If this situation results from an imperfect permitting process, it may be improved by informing the public of the requirements of IC 6-1.1-5-15 and making the Notice of Assessment Registration form readily available. The form is available on our website www.in.gov/dlgf and pressing the forms button. Your taxpayers can fill in the blanks online and print them out for delivery. Constraints of the website do not allow the completed form to be saved.

Note that there are also provisions for a rehabilitation deduction occurring in an Economic Revitalization Area (IC 6-1.1-12.1). These are filed on a Form 322ERA and **are not** covered by this memorandum.

Form 322 (IC 6-1.1-12-18 to 21)

This deduction is for **100%** of the increase in assessed value due to rehabilitation, up to a **maximum of \$ 9000.00** per dwelling unit. The deduction runs for five (5) years from the increase in assessment.

The requirements include:

1. The assessed value of the improvement (structures) prior to the rehabilitation cannot exceed:
\$ 18,000 for a single family dwelling;
\$ 24,000 for a two family dwelling; or
Not more than \$ 9,000 per dwelling unit if it is a three or more family dwelling.
2. Application must be filed with the county auditor within 30 days of notice (Form 11) increasing assessment.
3. The assessor must allocate the increase in value on the Form 11 between the value increase attributable to the rehabilitation and the increase attributable to the general reassessment or the annual adjustment factor, which will start in 2005 payable in 2006.

Form 322A (IC 6-1.1-12-22 to 24)

This deduction is for **50%** of the increase due to rehabilitation in the assessed value of the structure, up to a **maximum of \$ 60,000.00** for a single-family dwelling unit. Other property types have a maximum deduction of \$ 300,000.00.

The deduction runs from the first assessment date following the rehabilitation and shall continue for the taxes first due and payable in the following 5 years. In the sixth year, the county auditor shall remove the deduction. The Department notes that this is a departure from the timeline cited for the Form 322 deduction and results from a specific change by the legislature. Therefore, if construction from a prior year has been omitted until the periodic reassessment, the deduction shall be applied for the remaining period. For example, if a property was rehabilitated in the summer of 1999 the first assessment date would be March 1, 2000. However, the value was not increased until the 2002 reassessment and the deduction was filed pursuant to the 2002 Form 11. The deduction would be applicable for 2002 pay 2003 through 2004 pay 2005, or for 3 years.

The requirements include:

1. Property must be 50 years old at the time of application;
2. At least \$10,000 must have been spent on the rehabilitation;
3. Application must be filed with the county auditor before May 10 of the year the assessment is made or within 30 days of the notice (Form 11) showing increase in assessment; and

4. The Assessor must allocate the increase in value on the Form 11 between the value increase attributable to the rehabilitation and the increase attributable to the general reassessment or the annual adjustment factor.

Suggestions for Verification of the Deduction Application

- Ask Applicant for proof of rehabilitation
- Ask for pictures prior to rehabilitation to estimate value without rehabilitation
- On the 322, in the “Assessment Prior to Rehabilitation” make 2 entries: first the “old value” information, the tax year and true value prior to the reassessment and rehabilitation, and then, the value prior to rehabilitation based on the reassessment value equations (note - this may need to be hand calculated)
- On the 322A, the entry “Assessment Prior to Rehabilitation” will be for the value prior to rehabilitation and is based on the reassessment value equations (note - this may need to be hand calculated)
- Attach supporting documentation including before and after property records to the application.

Calculating the “Before” Value

The assessor must make an informed judgment as to the property characteristics without the rehabilitation. This may, in fact be the same as the existing characteristics. For example, a homeowner brings forward a claim that they have totally redone their kitchen. This remodeling included new cabinets, flooring, lighting etc.; the construction cost was \$18,000. The home is a B+ grade in a high-end subdivision. The condition is noted as average. The assessor appropriately determines that the lack of a kitchen renovation would not have resulted in a lower grade, condition or effective age. If any consideration of the new kitchen were to have been given, it would have resulted in a higher value. At this point, the only way the deduction can be granted is to issue a 112 and 113 to increase the assessment considering the kitchen. The original assessment is then the “before” value.

In a different example, a home that had previously exhibited extensive deferred maintenance was gutted and completely remodeled inside and out. For the reassessment, the assessor assigned an effective age; increased the grade due to the use of better quality replacement materials; and increased the condition. In this case, calculate the previous value without the effective age and the grade and condition changes.

COUNTY ASSESSORS: Please see that the township assessors and trustee assessors receive a copy of this memorandum.

